

# **CITY OF MONTEREY PARK**

Audit Report

## **SPECIAL GAS TAX STREET IMPROVEMENT FUND**

*July 1, 2009, through June 30, 2013*

## **TRAFFIC CONGESTION RELIEF FUND**

*July 1, 2009, through June 30, 2011*

## **PROPOSITION 1B FUND**

*July 1, 2007, through June 30, 2013*



**JOHN CHIANG**  
California State Controller

April 2014



**JOHN CHIANG**  
**California State Controller**

April 25, 2014

The Honorable Anthony Wong  
Mayor of the City of Monterey Park  
320 West Newmark Avenue  
Monterey Park, CA 91754-2896

Dear Mayor Wong:

The State Controller's Office audited the City of Monterey Park's Special Gas Tax Street Improvement Fund for the period of July 1, 2009, through June 30, 2013. We also audited the Traffic Congestion Relief Fund for the period of July 1, 2009, through June 30, 2011. In addition, we audited the Proposition 1B Fund for the period of July 1, 2007, through June 30, 2013.

Our audit disclosed that the city accounted for and expended its Special Gas Tax Street Improvement Fund, Traffic Congestion Relief Fund, and Proposition 1B Fund in compliance with requirements, except the city understated the fund balance in the Special Gas Tax Street Improvement Fund by \$21,445 as of June 30, 2013, because it recorded unsubstantiated vehicle usage charges.

If you have any questions, please contact Steven Mar, Chief, Local Government Audits Bureau, at (916) 324-7226.

Sincerely,

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

JVB/sk

cc: Paul Talbot, City Manager  
City of Monterey Park  
Annie Yaung, Controller  
City of Monterey Park

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# Audit Report

## Summary

The State Controller's Office audited the City of Monterey Park's Special Gas Tax Street Improvement Fund for the period of July 1, 2009, through June 30, 2013. We also audited the Traffic Congestion Relief Fund for the period of July 1, 2009, through June 30, 2011, and the Proposition 1B Fund for the period of July 1, 2007, through June 30, 2013.

Our audit disclosed that the city accounted for and expended its Special Gas Tax Street Improvement Fund, Traffic Congestion Relief Fund, and Proposition 1B Fund in compliance with requirements, except that the city understated the fund balance in the Special Gas Tax Street Improvement Fund by \$21,445 as of June 30, 2013, because it recorded unsubstantiated vehicle usage charges.

## Background

The State apportions funds monthly from the highway users tax account in the transportation tax fund to cities and counties for the construction, maintenance, and operation of local streets and roads. The highway users taxes derive from state taxes on the sale of motor vehicle fuels. In accordance with Article XIX of the California Constitution and Streets and Highways Code section 2101, a city must deposit all apportionments of highway users taxes in its Special Gas Tax Street Improvement Fund. A city must expend gas tax funds only for street-related purposes. We conducted our audit of the city's Special Gas Tax Street Improvement Fund under the authority of Government Code section 12410.

Government Code section 14556.5 created a Traffic Congestion Relief Fund in the State Treasury for allocating funds quarterly to cities and counties for street or road maintenance, reconstruction, and storm damage repair. Cities must deposit funds received into the city account designated for the receipt of state funds allocated for transportation purposes. The city recorded its TCRF allocations in the Traffic Congestion Relief Fund. We conducted our audit of the city's TCRF allocations under the authority of Revenue and Taxation Code section 7104.

Senate Bill 1266, Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006, was introduced as Proposition 1B and approved by the voters on November 7, 2006, for a variety of transportation priorities, including the maintenance and improvement of local transportation facilities. Proposition 1B funds transferred to cities and counties shall be deposited into an account that is designated for the receipt of state funds allocated for streets and roads. The city recorded its Proposition 1B allocations in the Proposition 1B Fund. A city also is required to expend its allocations within three years following the end of the fiscal year which the allocation was made and to be expended in compliance with Government Code section 8879.23. We conducted our audit of the City's Proposition 1B allocations under the authority of Government Code section 12410.

## **Objective, Scope, and Methodology**

Our audit objective was to determine whether the city accounted for and expended the Special Gas Tax Street Improvement Fund, Traffic Congestion Relief Fund, and Proposition 1B Fund in compliance with Article XIX of the California Constitution Government Code section 8879.23 and the Streets and Highways Code. To meet the audit objective, we determined whether the city:

- Properly deposited highway users tax apportionments and other appropriate revenues in the Special Gas Tax Street Improvement Fund;
- Properly deposited TCRF allocations into an account designated for the receipt of state funds allocated for transportation purposes;
- Properly deposited Proposition 1B allocations into an account designated for the receipt of state funds allocated for transportation purposes;
- Expended funds exclusively for authorized street-related purposes; and
- Made available unexpended funds for future expenditures.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We did not audit the city's financial statements. We limited our audit scope to planning and performing the audit procedures necessary to obtain reasonable assurance that the city accounted for and expended the Special Gas Tax Street Improvement Fund and the Traffic Congestion Relief Fund, and Proposition 1B Fund in accordance with the requirements of the Streets and Highways Code and Revenue and Taxation Code section 7104. Accordingly, we examined transactions, on a test basis, to determine whether the city expended funds for street purposes. We considered the city's internal controls only to the extent necessary to plan the audit.

## **Conclusion**

Our audit disclosed that the City of Monterey Park accounted for and expended its Special Gas Tax Street Improvement Fund in compliance with Article XIX of the California Constitution and the Streets and Highways Code for the period of July 1, 2009, through June 30, 2013, except as noted in Schedule 1 and described in the Finding and Recommendation section of this report. The finding required an adjustment of \$21,445 to the city's accounting records.

Our audit also disclosed that the city accounted for and expended its Traffic Congestion Relief Fund in compliance with Article XIX of the California Constitution, the Streets and Highways Code, and Revenue and Taxation Code section 7104 for the period of July 1, 2009, through June 30, 2011.

Furthermore, the audit disclosed that the City accounted for and expended its Proposition 1B allocations recorded in the Proposition 1B Fund in compliance with Government Code section 8879.23 for the period of July 1, 2007 through June 30, 2013.

**Follow-Up on Prior  
Audit Findings**

Our prior audit report, issued on February 25, 2011, disclosed no findings.

**Views of  
Responsible  
Official**

We issued a draft audit report on March 5, 2014. Paul Talbot, City Manager, responded by letter dated March 11, 2014, agreeing with the audit results. The city's response is included in this final audit report as an attachment.

**Restricted Use**

This report is intended for the information and use of the City of Monterey Park's management and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

April 25, 2014

# Schedule 1— Reconciliation of Fund Balance July 1, 2012, through June 30, 2013

	Special Gas Tax Street Improvement Fund	
	Highway Users Tax Allocation <sup>1</sup>	Proposition 1B Fund <sup>2</sup>
Beginning fund balance per city	\$ 1,109,569	\$ 414,208
Revenues	<u>1,520,032</u>	<u>520</u>
Total funds available	2,629,601	414,728
Expenditures	<u>(1,243,492)</u>	<u>(383,862)</u>
Ending fund balance per city	<u>1,386,109</u>	<u>30,866</u>
Timing adjustment:		
Accrual of June 2013 highway users tax apportionment (Governmental Accounting Standards Board Statement No. 34)	<u>(54,727)</u>	<u>—</u>
SCO adjustment: <sup>3</sup>		
Finding—Unsubstantiated vehicle usage charges	<u>21,445</u>	<u>—</u>
SCO adjustment	<u>21,445</u>	<u>—</u>
Ending fund balance per audit	<u>\$ 1,352,827</u>	<u>\$ 30,866</u>

<sup>1</sup> The city receives apportionments from the State highway users tax account, pursuant to Streets and Highways Code sections 2103, 2105, 2106, 2107, and 2107.5. The basis of the apportionments varies, but the money may be used for any street purpose. Streets and Highways Code section 2107.5 restricts apportionments to administration and engineering expenditures, except for cities with populations of fewer than 10,000 inhabitants. Those cities may use the funds for rights-of-way and for the construction of street systems. The audit period was July 1, 2009, through June 30, 2013; however, this schedule includes only the period of July 1, 2012, through June 30, 2013.

<sup>2</sup> Senate Bill 1266, Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006, introduced as Proposition 1B, provided funds for a variety of transportation priorities. The audit period was July 1, 2007 through June 30, 2013.

<sup>3</sup> See the Finding and Recommendation section.

# Finding and Recommendation

**FINDING—  
Unsubstantiated  
vehicle usage charges**

In fiscal year 2012-13, the city recorded \$21,445 of unsubstantiated vehicle usage charges in the Gas Tax Fund.

Recommendation

The city should transfer \$21,445 into the Gas Tax Fund. In addition, the city should establish procedures to ensure that the appropriate amount of vehicle costs is charged to the Gas Tax Fund.

City's Response

At the exit conference, the City concurred with the audit finding for an adjustment of \$21,445 to be made by the City. In response to your recommendation, on March 1, 2014, the City has made an accounting adjustment in the amount of \$21,445, from the City's Shop Fund to the City's Special Gas Tax Street Improvement Fund.

SCO's Comment

The city agrees with the finding and recommendation.



**Attachment—  
City's Response to  
Draft Audit Report**

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## CITY OF MONTEREY PARK

320 West Newmark Avenue • Monterey Park • California 91754-2896  
[www.ci.monterey-park.ca.us](http://www.ci.monterey-park.ca.us)



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### City Council

Mitchell Ing  
David T. Lau  
Teresa Real Sebastian  
Anthony Wong

### City Clerk

David Barron

### City Treasurer

Joseph Leon

March 11, 2014

Steven Mar, Chief  
Local Government Audits Bureau  
State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, California 94250-5874

Subject: *Monterey Park's Special Gas Tax Street Improvement Fund,  
Traffic Congestion Relief Fund and Proposition 1B Fund,  
Audit Finding Responses*

Dear Mr. Mar:

At the exit conference, the City concurred with the audit finding for an adjustment of \$21,445 to be made by the City. In response to your recommendation, on March 1, 2014, the City has made an accounting adjustment in the amount of \$21,445, from the City's Shop Fund to the City's Special Gas Tax Street Improvement Fund.

If there is any question, please contact Annie Yaung, Controller, at (626) 307-1349.

Sincerely,

A handwritten signature in blue ink, appearing to read "Paul Talbot", is written over a faint, larger version of the same signature.

Paul Talbot  
City Manager

File: s:\Grants\Misc\Gas Tax Audit\Audit Finding Response 3.11.2014

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, CA 94250-5874**

**<http://www.sco.ca.gov>**